

## Message Text

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44

ACTION ARA-10

INFO OCT-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 ITC-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /104 W

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R 122100Z MAR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4503

INFO TREASURY DEPT WASHDC

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 2206

E.O. 11652: N/A

TAGS: OVIP (KISSINGER, HENRY A.) ETRD BR US

SUBJECT: CONTINUING SPECULATION IN BRAZILIAN PRESS RE AMELIORATION  
OF US-BRAZIL TRADE PROBLEMS

REF: BRASILIA 1734

1. SUMMARY: INITIAL REPORTS IN THE BRAZILIAN PRESS  
THAT THE SECRETARY'S VISIT MAY HAVE BEEN THE FIRST STEP  
TOWARDS THE RESOLUTION OF MAJOR BILATERAL TRADE PROBLEMS  
(REPORTED REFTEL) HAVE BEEN FOLLOWED BY SIMILAR CAUTIONS,  
YET GENERALLY OPTIMISTIC, COMMENTS ON MINISTER OF  
PLANNING REIS VELLOSO'S US VISIT, THE MEETING OF  
THE TRADE CONSULTATIVE SUB-GROUP, AND SECRETARY SIMON'S  
FORTHCOMING VISIT TO BRAZIL. END SUMMARY.

2. SHORTLY AFTER THE SECRETARY'S VISIT AND BEFORE  
MINISTER OF PLANNING REIS VELLOSO'S TRIP TO THE US,  
O ESTADO DE SAO PAULO (FEB. 29) COMMENTED THAT "SECRETARY  
OF STATE HENRY KISSINGER LEFT BRAZIL CONVINCED THAT  
WITHIN A DECADE THE COUNTRY WOULD HAVE TRANSFORMED

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ITSELF FROM AN EMERGING POWER INTO AN INDUSTRIALIZED

WORLD POWER. AND HE RECOGNIZES THAT IF THE UNITED STATES CREATES OBSTACLES TO THE ACCESS OF BRAZILIAN PRODUCTS TO THE AMERICAN MARKET, (THE US) WILL BE RETARDING THIS PROGRESS. . . THE FIRST TEST OF THE RESULTS OF KISSINGER'S TRIP TO BRAZIL SHOULD COME . . . IN THE CONTACTS THAT MINISTER JOAO PAULO DO REIS VELLOSO AND THE PRESIDENT OF THE BNDE (NATIONAL ECONOMIC DEVELOPMENT BANK), MARCOS VIANNA, WILL HAVE WITH DIRECTORS OF THE WORLD BANK AND PRIVATE CREDIT INSTITUTIONS." O ESTADO LATER (MARCH 5) ADDED THAT "SPECIAL IMPORTANCE IS ATTRIBUTED IN BRASILIA TO THE UNDERSTANDINGS VELLOSO MAY ATTAIN WITH US BUSINESSMEN, BECAUSE THE RESTRICTIONS IMPOSED BY THE (US) GOVERNMENT STEM EXCLUSIVELY FROM THE ACTION OF THOSE INDUSTRIES WHICH CONSIDER THEMSELVES THREATENED BY THE COMPETITION WITH BRAZILIAN PRODUCTS."

3. DESCRIBING VELLOSO'S MARCH FIRST LUNCHEON AT THE DEPARTMENT OF STATE, O ESTADO (MARCH 2) REPORTED THAT COUNTERVAILING DUTIES AND THE ESCAPE CLAUSE WAS ALSO MADE MAIN TOPICS OF CONVERSATION. REFERENCE WAS ALSO MADE TO THE MEETINGS OF THE TRADE CONSULTATIVE SUB-GROUP MARCH 11 - 13 (SIC) WHICH WOULD EXAMINE THE "BARRIERS TO BRAZILIAN PRODUCTS" ON A TECHNICAL LEVEL. JORNAL DO BRASIL (MARCH 3) DESCRIBED THE WORK OF THE TRADE SUB-GROUP AS A "RE-EXAMINATION -- IN THE LIGHT OF A NEW ATTITUDE, ACCORDING TO REIS VELLOSO -- OF THE PROBLEMS FOR BRAZIL STEMMING FROM THE APPLICATION OF THE MORE PROTECTIONISTIC ASPECTS OF THE US TRADE ACT."

4. AT THE CONCLUSION OF HIS VISIT, VELLOSO WAS QUOTED BY O ESTADO (MARCH 5) AS SAYING, " I FELT THERE IS AN AWARENESS IN THE US THAT THE PROBLEM MUST BE SOLVED." ACCORDING TO VELLOSO, CONTINUED O ESTADO, THE GOAL IS "TO QUESTION OF THE ENTRY OF BRAZILIAN PRODUCTS TO THE AMERICAN MARKET." JORNAL DE BRASILIA ('-4:# 11) REPORTED THAT VELLOSO MET ON MARCH 10 WITH PRESIDENT GEISEL, FINANCE MINISTER SIMONSEN, AND FOREIGN MINISTER SILVEIRA TO DISCUSS "THE EVOLUTION OF ECONOMIC RELATIONS WITH THE US AFTER THE VISIT OF SECRETARY OF STATE UNCLASSIFIED

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HENRY KISSINGER AND THE PLANNING MINISTER'S TRIP TO WASHINGTON." VELLOSO REPORTEDLY SAID THAT POSSIBILITIES WERE NOW BETTER FOR THE INCLUSION OF BRAZILIAN EXPORTS WITHIN THE US "COUNTERVAILING DUTY LAW" (SIC). HE ALSO ATTACHED "GREAT IMPORTANCE" TO HIS CONTACTS WITH AMERICAN BANKERS WHO WERE REPORTEDLY VERY IMPRESSED WITH THE FINANCING PROGRAMS PRESENTED BY VELLOSO AND VIANNA.

5. MORE OPTIMISTIC WERE THE FORECASTS FOR SECRETARY SIMON'S VISIT TO BRAZIL. ACCORDING TO O ESTADO (MARCH 2), SECRETARY SIMON AND FINANCE MINISTER SIMONSEN "HAVE AGREED IN PRINCIPLE ON A FORMULA WHICH WILL OVERCOME THE DIFFERENCES BETWEEN BRAZIL AND THE US IN THE FORM OF COUNTERVAILING DUTIES ON BRAZILIAN LEATHER SHOES AND HANDBAGS EXPORTED TO THE US. THE FORMULA IS BEING KEPT SECRET AND WILL ONLY BE REVEALED IN MAY DURING SIMON'S VISIT. HOWEVER, IT IS KNOWN THAT IT INVOLVES ON THE PART OF BRAZIL A RE-EXAMINATION OF THE INCENTIVES OR SUBSIDIES CONCEDED TO THE LEATHER INDUSTRY IN SUCH A WAY AS TO SATISFY THE COMPLAINTS OF AMERICAN PRODUCERS WITHOUT BURDENING BRAZILIAN EXPORTERS."  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, MINISTERIAL VISITS, TRADE COMPLAINTS, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
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**Disposition Comment:**  
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**Errors:** N/A  
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**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:** n/a  
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**Reference:** 76 BRASILIA 1734  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** wolfsd  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 JUL 2004 by vandyklc>; APPROVED <01 SEP 2004 by wolfsd>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONTINUING SPECULATION IN BRAZILIAN PRESS RE AMELIORATION OF US-BRAZIL TRADE PROBLEMS  
**TAGS:** OVIP, ETRD, BR, US, (KISSINGER, HENRY A)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006